



## Overview and Budget Scrutiny Committee

22 March 2018

### BUDGET SCRUTINY REPORT

**Purpose of report:** Scrutiny of Budgets

#### Introduction:

1. Following scrutiny of the Revenue and Capital Budget 2018/19 to 2020/21 proposals at the January meeting of this Committee, Select Committees were asked to test service plans and priorities for 2018/19 and any new fees or charges that were to be introduced.
2. Against a tight timescale Select Committees organised meetings in February and March to meet with Cabinet Members and Senior Officers to review service plans along with fees & charges in detail. The conclusions of the Select Committees are summarised in this report.
3. The Overview and Budget Scrutiny Committee's Budget Sub-Group also met in this period to review the latest budget monitoring data and initiate discussion on the Council's transformation plans. The outcome of this group's meeting is also summarised in this report.

#### Select Committee Findings

4. Each of the Select Committees have submitted recommendations based on their scrutiny of their budget areas. Further information from these sessions is presented below:
 

**Adults and Health**
5. Members reviewed data comparing income generated through charging for adult social care services by Surrey County Council with that of neighbouring local authorities that showed income was lower or comparable to local authorities with significantly smaller populations. The Committee requested that the Officers review income from charging for adult social care services in comparison with other neighbouring local authorities to identify opportunities to maximise income from charging for adult social care.
6. Members enquired whether the Directorate had any processes in place to review the impact of reductions to discretionary services and the impact that this would have on the Council's statutory services in respect of delivering adult social care. Officers indicated that the implications of changing or reducing a service, such as Housing Related Support, would be assessed through the Equalities Impact Assessment as well as through discussions with service users and stakeholders. Members proposed the introduction of an active process for reviewing the impact of changes to discretionary

services to ensure that they do not have unintended consequences which will place additional financial pressures on statutory services.

### **Children and Education**

7. Officers stressed that any significant increase in fees & charges that were not based upon cost recovery would need to be justified sufficiently. It was stressed that there have been instances of case law that Local Authorities had been challenged on increases that were not based on cost recovery.
8. Members questioned how the service planned to reduce the significant spend and demand on Early Help and queried why the reconfiguration spend was high. It was also noted that the Edge of Care service had worked to lessen the burden upon social care and improve outcomes for children.
9. Members questioned why there was a higher level of need and a higher complexity of need recorded than before and what effects this would have on the service budget. Officers noted that there were unprecedented number of children in need of placements and that there were also significant issues with the deficit of funding for Unaccompanied Asylum Seeking Children.
10. It was noted that there had been a significant increase in the numbers of children requiring Education Health and Care Plans (EHCPs) which increased cost pressures on the service.
11. The service highlighted key concerns: numbers in receipt of residential care and the effects that this had, staffing profiles and the expense of locum workers, and Risk adverse nature of the service, which limited opportunities in some areas to reduce spend or invest to save.

### **Communities**

12. The Communities Select Committee discussed the large number of fees and charges levied by Cultural Services many of which are set locally by the Service. Officers highlighted that the importance of Cultural Services' fees and charges remaining competitive to ensure that it continued to attract income across the full range of chargeable services that it provided. The Committee suggested that Officers review fees and charges levied at neighbouring local authorities to ensure that those within the Council's Cultural Services were set an appropriate level
13. The Committee heard that a number of the Surrey Fire and Rescue Service's (SFRS) savings were marked as Amber within the Medium Term Financial Plan (MTFP) reflecting a degree of uncertainty around how these reductions would be delivered. Members stated that greater clarity was required on how SFRS intended to deliver the savings outlined within the MTFP in order to progress these plans or explore alternative opportunities to deliver these savings where appropriate. SFRS Officers advised the Committee that collaboration with other fire and rescue authorities was the most effective way of creating a sustainable and optimised fire and rescue service for Surrey and neighbouring local authority areas

### **Corporate Services**

14. It was felt that fees and charges should be generated from the numerous additional cycling events in Surrey especially when taking into account the resulting impact on the highways. It was agreed that there were a number of running and cycling events which were driven by profit and therefore there was opportunity for the County Council to charge a cost for support and involvement with the planning and administration of these events.
15. It was agreed that an 'offer' of services the County provided for Schools needed to be drawn up.
16. It was agreed that the Chief of Staff would review the support costs for the Lord-Lieutenant and High Sheriff for Surrey. The policy and costing around sending paper agendas to members of the public was queried. The Chief of Staff agreed to investigate this.
17. The Chairman and Vice-Chairman agreed that the net costs for Healthwatch to the Council needed to be reduced. It was agreed that the costs incurred by the Council for NHS Sustainability and Transformation Partnerships (STPs) such as research and engagement required further investigation.
18. The Cabinet Member for Property & Business Services agreed that Communications' design services could be promoted through South East Business Services (SEBS). It was confirmed that there were income generation opportunities within employment law and the special projects sector.
19. The Head of Emergency Management confirmed that there was an opportunity to generate income through emergency management event support and planning. Westminster City Council currently charged a cost for this support.

### **Environment & Infrastructure**

20. Officers noted that there were significant income generation opportunities to be explored within in the service, highlighting the Laboratory as a possibility. However, Officers and the Cabinet Members noted that any changes to fees and charges must be a based on cost recovery. It was explained that advanced income generation opportunities must be formed as a Local Authority Trading Company (LATC), which limits the control of the Council on its functions.
21. Members questioned the percentage increases to services was less than inflation in some cases, and noted that the service should begin at a baseline above inflation rather than the current draft of a baseline of 0%. Officers noted that those schedules currently labelled as 0% were in draft and were likely to increase upon review.
22. Members raised cost recovery regarding damage to Council property and what the recovery rate was. Officers would provide to the Committee with recovery rate statistics. However, it was stressed that costs were not always recoverable due to circumstance, but that the service would do all in its power to recover these costs. It was explained that the service had improved on its recovery of damages from previous years.

<b>Budget Sub-Group Findings</b>
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23. The Group reviewed the latest monitoring figures and noted the £3.9m in additional business rates growth earmarked for reserves depending on the Council's budgetary position at the end of March 2018.
24. The Group agreed that a taxonomy of savings would be useful to allow Members to gauge whether savings were short or long term, recurring, permanent or one-offs and also whether they were deferred to future budgets.
25. The particulars of the Eco-Park contract were discussed. Delays to the completion have meant reduced payments owing to the contractor. This saving has been added to a sinking fund to pay for future costs associated with the park. The Group requested a detailed breakdown of the contract costs and the schedule of payments.
26. A Red-Amber-Green rated list of the savings listed in the Medium Term Financial Plan was reviewed by the Group. Members were advised that Finance was tracking both the savings and pressures on a monthly basis this year which is a new initiative.
27. Members sought further detail on the red and amber rated savings. In particular, they queried the status of actions on demand management in Adult Social Care which have been removed but remain in the base budget and the impact of alternative Direct Schools Grant savings in Children's Schools and Families. For amber savings Members requested an indication of confidence in realising these savings, perhaps a percentage figure could be added.
28. The amber rated savings in Adult Social Care were taken together with Members being advised that Extra Care Housing whereby care is provided on domestic sites so that clients can remain in their own homes at less cost than residential care was being developed. Developers have been able to make bids for low cost, long leases of Local Authority owned land on the proviso that affordable housing is made available to Council service users. There are currently five sites on offer with savings to the Council anticipated in 2021.
29. The Group were advised by the Chief of Staff that the Council was new to this market and that its Property Service and Procurement workforce needed the right skill mix to maximise the benefits to the budget.
30. Finally, the Group were given a brief summary of the preparations for the transformation work required to achieve sustainable budgets in the future. Plans include recruitment of an Interim Transformation Director and procurement of a Programme Office to boost capacity in this area.

<b>Conclusions:</b>
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31. The Budget Sub-Group reiterated the need for an increased pace of change at the Council to ensure a sustainable budget and it would follow up on transformation plans as they emerge as these would play a key part in meeting savings targets.
32. The Select Committees did not make significant recommendations to alter fees and charging schedules. There was broad agreement with the direction of the service plans with emphasis put on taking advantage of opportunities to generate income and ensuring the Council compared favourably with other Authorities.

33. The process for 2019/20 budget scrutiny needs to be agreed early with the Cabinet and Strategic Directors to give Members the earliest opportunity to contribute to the budget planning and service priorities from July 2018.

<b>Recommendations:</b>
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34. The **Adults and Health Select Committee** recommended that:
- a) Officers benchmark income from charging for adult social care services with neighbouring local authorities to identify opportunities for Surrey County Council to maximise income from charging for adult social care.
  - b) The Adult Social Care & Public Health Directorate embeds a process for reviewing the potential financial implications to the Council arising from reduced spending on Public Health programmes or non-statutory adult social care services.
35. The **Children and Education Services Select Committee** noted:
- a) The service plans and recognised that there were significant challenges to the Directorate regarding securing external funding; and
  - b) That the Committee reviewed and approved the current scheme of charges as proposed by the Children, Schools and Families Directorate.
36. The **Communities Select Committee** recommended that:
- a) An assumption is made that inflation is taken into account when annual increases in fees and charges are being considered by Cultural Services;
  - b) Officers adopt a more commercial approach to operating the Library Service in order to optimise income generation, this includes improved marketing of the stock and services that the Library Service has to offer;
  - c) Officers benchmark fees and charges within Cultural Services against those levied by neighbouring authorities;
  - d) Surrey Fire and Rescue Services' plans to achieve savings as outlined within the Medium Term Financial Plan are shown to the Cabinet in order to progress these plans or explore alternative opportunities to deliver these savings where appropriate; and
  - e) Encourages the Buckinghamshire County Council and Surrey County Council Joint Trading Standards Service to continue its work establishing Primary Authority Partnerships (PAP) and recommends that the Service seeks to expand the number of PAPs by actively marketing them through district and borough councils and chambers of commerce
37. The **Corporate Services Select Committee** recommended that
- a) The Cabinet Member for Communities considers the introduction of an administration fee for health and safety planning and support provided by the Emergency Management Team to event organisers.

- b) The Chief of Staff reviews the budget allocated to the Healthwatch contract so that total expenditure does not exceed the amount of the national government grant.
- c) The Orbis Lead explore income generation opportunities within Audit and Pension Administration Services.
- d) The Head of Communications explore income generation through online advertising on the Surrey County Council website and promoting in-house communication services to Local Authorities and Government bodies.
- e) The Head of Legal Services explore income generation opportunities within employment law and special projects as part of Orbis Public Law integration.

38. The **Environment & Infrastructure Select Committee** recommended that:

- a) Future reviews of fees and charges assume an increase at least by the level of inflation and ensure that it presents justifications for any variation on this; and
- b) Further work is undertaken regarding cost recovery: where it is focussed and what can effectively be recovered, as part of a review of fees and charges and that this is reviewed by the Select Committee in late 2018.
- c) The Highways & Transport Service considers the implementation of new technologies such as LED lighting and charging points on lamp posts; and
- d) The service presents a business case for use of such new technologies as outlined in the IoT (Internet of Things) UK research report<sup>[1]</sup> for use in Surrey in 2018/19 as this presents an income opportunity.

<b>Next steps:</b>
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- The Overview and Budget Scrutiny Committee to submit recommendations to Cabinet as required.
- The Budget Sub-Group to meet next on 2 April 2018 to continue its monitoring role and follow-up on transformation plans.

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**Report contact:** Ross Pike, Scrutiny Manager, Democratic Services

**Contact details:** 020 8541 7368, [ross.pike@surreycc.gov.uk](mailto:ross.pike@surreycc.gov.uk)

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<sup>[1]</sup> Hannah Griffiths, *The Future of Street Lighting: The Potential for New Service Development*, IoTUK, April 2017, (available at: <https://iotuk.org.uk/wp-content/uploads/2017/04/The-Future-of-Street-Lighting.pdf>, as accessed 13/03/2018).

**Sources/background papers:**

- Annex 1 – Cabinet Member Response to Corporate Services Select Committee recommendations
- Cabinet Response to Scrutiny Recommendations
- Surrey County Council Cabinet, Finance and Budget Monitoring Report to 31 January 2018, (27 February 2018)
- Private budget scrutiny sessions

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